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**Food Service**

**REPORT TO THE SHAREHOLDERS  
OF NATIONAL AUTOMATIC VENDING  
COMPANY LIMITED  
FOR 1965**



**Directors**

MAXWELL GOLDHAR  
MOREY KIRSCH  
KENNETH KELMAN  
IRVING TENNEY  
ROBERT J. HEROLD

**Officers**

Chairman of the Board  
MAXWELL GOLDHAR  
President and General Manager  
MOREY KIRSCH  
Executive Vice-President  
KENNETH KELMAN  
Secretary-Treasurer  
A. R. BALICK  
Vice-President of Sales  
FREDERICK C. STICKLEY  
Vice-President of Eastern Division  
R. M. CUTTS

**Head Office**

26 DUFFLAW ROAD  
Toronto 19, Ontario

**Auditors**

SOUPCOFF, STARKMAN, KRAFT & CO.  
Toronto, Ontario

**Transfer Agent and Registrar**

EASTERN & CHARTERED TRUST COMPANY  
Toronto, Ontario

*Corp report*

## To the Shareholders:

April 30, 1966.

Dear Shareholder:

This past year was the turning point in the affairs of your company. As you will note by a perusal of the company's financial report NAVCO operated at a profit of \$112,503 for the year ended December 31, 1965. The change in the past years has been a dramatic one from a loss of \$863,813 in 1963 to a profit last year of \$112,503.

Your company has been able to capitalize on the many organizational plans that were instituted in 1964. Your new management team has demonstrated its ability to improve its operations in quality of service to its clients, its relationship with its suppliers and in the financial results for the year.

Our industry is growing at a rapid rate and it is now estimated that sales in Canada total over \$100,000,000 annually. It is our opinion that the growth in the industry will continue and NAVCO will obtain a share of this continued growth.

As we have become specialists in the serving of food in all its ramifications, new horizons are opening up daily. The feeding of hospitals, schools and universities represents a real challenge to the industry generally and your company intends to increase its participation in this area.

During the year 1965 our gross sales were \$5,883,745 as compared with gross sales of \$5,965,278 in 1964. Even though our business in 1965 was slightly less than in 1964 our operating results were substantially better than 1964. The small drop in sales was a calculated one and resulted from the elimination of non profitable locations. Better operating results were obtained by having greater efficiency in operating controls and a more favourable relation between food sales as compared to cigarette vending. *10%*

It takes time to build a successful business and your company has been engaged in the past few years in obtaining competent and aggressive management. Considerable time and money has been spent in training adequate personnel at all levels. We are continuously training people for responsible positions so that our service to our clients at all times will be up to the high standards we have set for your company.

We are pleased to report that we now have a team of competent personnel at all levels which we are very proud of, and who are doing an outstanding job in all the departments of your company.

In order to handle our increased food sales and set the basis for further expansion, we moved our facilities in Preston to new and larger premises in February of 1966. Plans are now being completed to move to larger quarters in Quebec City and Montreal.

Our financial position improved substantially during 1965 and our cash flow as you will see from our statement of Source and Use of Funds resulted in our working capital increasing by approximately \$237,000. During 1966 we expect this cash flow to be substantially higher than in 1965.

In view of the improvement in all segments of the operation during the year your directors look forward to 1966 with a great deal of confidence and expect your company to show continued growth in net profits.

ON BEHALF OF THE BOARD OF DIRECTORS.

M. KIRSCH, President



# National Automatic Vending Company Limited

## Balance Sheet as at December 31, 1965

(With comparative figures as at December 31, 1964)

### ASSETS

| Current Assets:                                                                                  | 1965               | 1964               |
|--------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Cash on hand and in bank .....                                                                   | \$ 85,350          | \$ 105,225         |
| Accounts receivable and prepaid location commissions, less allowance for doubtful accounts ..... | 27,448             | 35,291             |
| Inventories, at lower of cost or market .....                                                    | 249,928            | 261,631            |
| Prepaid expenses and deferred charges .....                                                      | 66,431             | 67,482             |
| Current portion of deferred interest .....                                                       | 63,334             | 61,177             |
|                                                                                                  | <u>\$ 492,491</u>  | <u>\$ 530,806</u>  |
| <b>Fixed Assets (Note 4):</b>                                                                    |                    |                    |
| Equipment, vehicles and leasehold improvements, cost .....                                       | \$3,368,823        | \$2,971,091        |
| Less — Accumulated depreciation and amortization .....                                           | 1,232,568          | 905,944            |
|                                                                                                  | <u>\$2,136,255</u> | <u>\$2,065,147</u> |
| <b>Other Assets — at cost:</b>                                                                   |                    |                    |
| Deferred interest .....                                                                          | \$ 131,332         | \$ 178,556         |
| Less — Current portion included in current assets .....                                          | 63,334             | 61,177             |
|                                                                                                  | <u>\$ 67,998</u>   | <u>\$ 117,379</u>  |
| Location acquisition costs (Note 3) .....                                                        | 682,419            | 643,266            |
| Financing and reorganization expenses .....                                                      | 21,759             | 21,759             |
|                                                                                                  | <u>\$ 772,176</u>  | <u>\$ 782,404</u>  |
|                                                                                                  | <u>\$3,400,922</u> | <u>\$3,378,357</u> |

The accompanying notes are an integral part of this statement.

APPROVED ON BEHALF OF THE BOARD:

"M. GOLDHAR", Director.

"M. KIRSCH", Director.

### Auditors' Report to the Shareholders

To the Shareholders of National Automatic Vending Company Limited.

We have examined the balance sheet of National Automatic Vending Company Limited as at December 31, 1965 and the statements of profit and loss and deficit for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the aforementioned statements, together with the notes thereto, present fairly the financial position of the company as at December 31, 1965 and the results of operations for the year then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Our examination also included the accompanying statement of source and use of funds which, in our opinion, when considered in relation to the aforementioned statements, presents fairly the changes in the working capital of the company for the year ended December 31, 1965.

Toronto, Ontario  
April 29, 1966.

SOUPCOFF, STARKMAN, KRAFT & CO.  
Chartered Accountants.

## LIABILITIES

| Current Liabilities:                              | 1965               | 1964               |
|---------------------------------------------------|--------------------|--------------------|
| Bank loan .....                                   | \$ 165,000         | \$ 225,000         |
| Accounts payable and accrued liabilities .....    | 568,338            | 632,199            |
| Accrued interest (Note 2) .....                   | 8,553              | 85,703             |
| Current maturity of long-term debt (Note 2) ..... | 230,479            | 312,850            |
| Sales tax payable .....                           | 24,638             | 16,941             |
|                                                   | <u>\$ 997,008</u>  | <u>\$1,272,693</u> |
| Long-Term Debt (Notes 1 and 2): .....             | <u>\$1,907,527</u> | <u>\$1,722,440</u> |
| <b>TOTAL LIABILITIES</b> .....                    | <u>\$2,904,535</u> | <u>\$2,995,133</u> |

## SHAREHOLDERS' EQUITY

### Capital Stock (Note 1):

#### Authorized:

2,000,000 common shares without nominal or par value

#### Issued:

|                                          |                    |                    |
|------------------------------------------|--------------------|--------------------|
| December 31, 1965 — 866,150 shares ..... | \$1,929,339        |                    |
| December 31 1964 — 865,784 shares .....  |                    | \$1,928,679        |
| Deficit (Note 5): .....                  | ( 1,432,952)       | ( 1,545,455)       |
|                                          | <u>\$ 496,387</u>  | <u>\$ 383,224</u>  |
|                                          | <u>\$3,400,922</u> | <u>\$3,378,357</u> |

## Statement of Profit and Loss and Deficit

for the Year ended December 31, 1965

(With comparative figures for the year ended December 31, 1964)

|                                                                                         | 1965                 | 1964                 |
|-----------------------------------------------------------------------------------------|----------------------|----------------------|
| Net Sales .....                                                                         | \$5,883,745          | \$5,965,278          |
| Cost of sales, operating and other expenses ..                                          | <u>5,205,658</u>     | <u>5,553,037</u>     |
| Profit before the undernoted deductions .....                                           | \$ 678,087           | \$ 412,241           |
| Interest on long-term debt .....                                                        | \$200,204            | \$180,783            |
| Provision for loss on contracts discounted with<br>finance companies not required ..... | (2,776)              | (2,798)              |
| Obsolete vending equipment written down to<br>salvage value .....                       | 9,381                | 2,190                |
| Depreciation and amortization .....                                                     | <u>358,775</u>       | <u>333,189</u>       |
|                                                                                         | 565,584              | 513,364              |
| Net profit or (loss) .....                                                              | \$ 112,503           | (\$ 101,123)         |
| Deficit at January 1 .....                                                              | (1,545,455)          | ( 1,444,332)         |
| Deficit at December 31 .....                                                            | <u>(\$1,432,952)</u> | <u>(\$1,545,455)</u> |

The accompanying notes are an integral part of this statement.



# National Automatic Vending Company Limited

## Notes to Financial Statements December 31, 1965

### 1. Capital Stock

During the year, the company issued to employees 366 common shares without par value for a cash consideration of \$661.

Subsequent to balance sheet date, employees exercised stock options on 16,900 shares for a cash consideration of \$25,350.

There are employee stock options outstanding as follows:

13,000 common shares at \$1.805 per share exercisable from time to time up to July 6, 1969.

10,000 common shares at \$1.70 per share exercisable from time to time up to February 2, 1971.

There are 13,023 common shares reserved for the granting of employee stock options.

The company has granted to Traders Finance Corporation Limited an option to purchase up to 15,000 common shares at \$1.50 per share exercisable on or before November 14, 1966.

The notes payable in the amount of \$100,000 are convertible at the option of the holders into 66,666 common shares on or before January 30, 1967 (See also Note 2).

The company has issued 200,000 share purchase warrants—100,000 to the holders of the notes payable and 100,000 to the guarantors of a company bank loan in the amount of \$100,000. Each warrant entitles the holder thereof to purchase one common share at \$1.50 per share on or before December 29, 1968.

### 2. Long-Term Debt

By agreement dated April 23, 1966, the company has renegotiated the repayment of its total indebtedness, including accrued interest, to Traders Finance Corporation Limited (Traders). Traders has agreed to accept payments to December 31, 1966 in the amount of approximately \$310,000 of which approximately \$160,000 will be applied to principal. The total indebtedness then remaining unpaid becomes due and payable on January 30, 1967 unless prior to that date Traders shall have extended the time for repayment of the whole or any part of the indebtedness.

No provision has been made for the costs of refinancing long-term debt.

Chattel mortgages bear interest at various rates and mature on various dates from 1966 to 1968.

As a result of the above, the following is the long-term debt position of the company (including accrued interest to Traders):

|                          | Traders Finance<br>Corporation<br>Limited | Other           | Total              |
|--------------------------|-------------------------------------------|-----------------|--------------------|
| Current maturity .....   | \$ 160,000                                | \$70,479        | \$ 230,479         |
| Long-term maturity ..... | <u>1,779,997</u>                          | <u>27,530</u>   | <u>1,807,527</u>   |
|                          | <u>\$1,939,997</u>                        | <u>\$98,009</u> | <u>\$2,038,006</u> |
| Notes payable, 6% .....  |                                           |                 | 100,000            |
|                          |                                           |                 | <u>\$2,138,006</u> |

### 3. Location Acquisition Costs (previously designated as Goodwill)

These costs represent the difference between the cost of purchase and net asset values of companies or acquisitions at the time ownership was acquired over and above the cost of equipment acquired (principally vending machines).

### 4. No provision has been made for taxes on income as a result of applying losses of prior years against current income.

The company has claimed for tax purposes, capital cost allowances in excess of the depreciation and amortization recorded in the accounts. The undepreciated capital cost for tax purposes, is approximately \$230,000 less than the net book value.

### 5. Deficit

During the year, capital surplus in the amount of \$1 has been transferred to deficit.

# National Automatic Vending Company Limited

## Statement of Source and Use of Funds

for the Year ended December 31, 1965

(With comparative figures for the year ended December 31, 1964)

| Source of Funds:                                   | 1965             | 1964             |
|----------------------------------------------------|------------------|------------------|
| Net profit or (loss) for year .....                | \$112,503        | (\$101,123)      |
| Depreciation and amortization .....                | 358,775          | 333,189          |
| Funds provided from operations ("cash flow") ..... | \$471,278        | \$232,066        |
| Net increase or (decrease) in long-term debt ..... | 234,467          | ( 157,723)       |
| Issuance of capital stock .....                    | 661              | 10,125           |
|                                                    | <u>\$706,406</u> | <u>\$ 84,468</u> |

| Use of Funds:                                       | 1965             | 1964               |
|-----------------------------------------------------|------------------|--------------------|
| Net additions to fixed assets .....                 | \$429,883        | \$240,057          |
| Additions to location acquisition costs .....       | 39,153           | —                  |
|                                                     | <u>\$469,036</u> | <u>\$240,057</u>   |
| Net Increase or (Decrease) in Working Capital ..... | <u>\$237,370</u> | <u>(\$155,589)</u> |

The accompanying notes are an integral part of this statement.

# National Automatic Vending Company Limited

## Four Year Financial Record

|                                                                      | 1965               | 1964               | 1963               | 1962               |
|----------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Net Sales .....                                                      | <u>\$5,883,745</u> | <u>\$5,965,278</u> | <u>\$6,082,077</u> | <u>\$5,024,615</u> |
| Costs and Expenses                                                   |                    |                    |                    |                    |
| Cost of sales and operating expenses..                               | 5,205,658          | 5,553,037          | 6,063,275          | 5,019,777          |
| Interest on long-term debt .....                                     | 200,204            | 180,783            | 160,610            | 109,619            |
| Depreciation .....                                                   | 358,775            | 333,189            | 314,348            | 227,788            |
| Development costs written off .....                                  | —                  | —                  | 28,617             | —                  |
| Obsolete vending equipment written down to salvage value .....       | 9,381              | 2,190              | 309,040            | —                  |
| Provision for loss on contracts discounted with finance companies .. | ( 2,776)           | ( 2,798)           | 70,000             | —                  |
| <b>TOTAL</b> .....                                                   | <u>5,771,242</u>   | <u>6,066,401</u>   | <u>6,945,890</u>   | <u>5,357,184</u>   |
| Net Profit or (Loss) .....                                           | <u>112,503</u>     | <u>( 101,123)</u>  | <u>( 863,813)</u>  | <u>( 332,569)</u>  |
| Per Common Share                                                     |                    |                    |                    |                    |
| Shares outstanding (end of year) .....                               | 866,150            | 865,784            | 859,034            | 839,334            |
| Income per share .....                                               | <u>\$ 0.13</u>     | <u>(\$ 0.12)</u>   | <u>(\$ 1.01)</u>   | <u>(\$ 0.40)</u>   |
| Cash flow per share (before depreciation) .....                      | <u>\$ 0.55</u>     | <u>\$ 0.27</u>     | <u>(\$ 0.28)</u>   | <u>(\$ 0.12)</u>   |



